

Message Text

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ACTION SS-25

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 6329

C O N F I D E N T I A L CARACAS 10392

EXDIS

E.O. 11652: GDS

TAGS: ENGR

SUBJECT: NOTE VERBALE ON INCREASE IN GOV OIL TAX: PROPOSED
REVISED TEXT

REF: (A) STATE 230773; (B) CARACAS 10391

1. I RECOMMEND THAT OUR NOTE VERBALE CONSIST OF NUMBERED PARAGRAPHS TWO THROUGH FOUR AS SET OUT IN STATE 230773 WITH THE FOLLOWING ONE CORRECTION A REVISION OF PARA 4, AND ONE ADDITIONAL CONCLUDING PARAGRAPH.

2. THE CORRECTION WOULD BE MADE IN PARAGRAPH TWO WHICH NOW REFERS TO "THE INCOME TAX RATE ON EXPORTED OIL" TO READ "THE INCOME TAX RATE ON PETROLEUM COMPANIES.Z THIS IS MERELY A FACTUAL CORRECTION.

3. WE RECOMMEND THAT PARGRAPH 4 OF REF (A) NOW BE AMENDED TO READ AS FOLLOWS: QUOTE. THE UNITED STATES GOVERNMENT PARTICULARLY REGRETS THE DECISION TO APPLY THE TAX RETROACTIVELY TO PRODUCTION FOR THE FIRST NINE MONTHS OF 1974. FURTHERMORE, THE RETROAVEWLE APPLICATION OF A TAX INTRODUCES AN UNDESIRABLE ELEMENT OF UNCERTAINTY INTO INTERNATIONAL MARKETS. THE NEW TAX BURDEN IMPOSED MAY PROVE TO BE TOO LARGE TO BE ABSORBED BY THE OIL COMPANIES. THE FACT REMAINS THAT THE COMPANIES ARE INDEED PASSING THE ADDITIONAL TAX BURDEN TO CONSUMERS IN WHOLE OR LARGE PART IN THE FORM OF HIGHER PRICES. SINCE ABOUT ONE-HALF OF VENEZUELAN OIL EXPORTS ARE SENT TO THE UNITED STATES,
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THE BURDEN THUS IMPOSED ON THE AMERICAN CONSUMER IS EVIDENT.

UNQUOTE.

4. I RECOMMEND THAT THE CONCLUDING PARAGRAPH OF OUR PROPOSED REVISED NOTE VERBALE SHOULD READ "THE US GOVERNMENT IS GIVING SERIOUS CONSIDERATION TO THE LETTER ADDRESSED TO PRESIDENT FORD BY PRESIDENT PEREZ ON SEPTEMBER 19 AND THE USG HOPES THAT A SERIOUS AND CONSTRUCTIVE DIALOGUE CAN ENSUE THEREFROM." THIS WILL HAVE THE ADVANTAGE OF TAKING COGNIZANCE OF HIS PRESIDENTIAL COMMUNICATION IN WRITING, AND SHOULD BE A DETERRENT TO HIS LAUNCHING UPON FURTHER POLEMICS.
MCCLINTOCK

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